# Linking Resources with Results

Department of Energy

Jonathan D. Breul

March 28, 2002

# Two-part discussion

◆ First - Performance-based budgeting.

◆ Second - the President's Management Agenda and Executive Branch scorecard.

# A transformation has begun

- A transformation to performance-based government has begun.
- It draws on similar changes in progress around the world and around the nation.
- Seems likely to be more deep-rooted than its predecessors.

# FY 2003 Budget

◆ First step toward reporting to taxpayers on the relative effectiveness of the thousands of purposed on which their money is spent.

◆ It asks not merely "*How much*?"

◆ It endeavors to explain "*How well*?"

# Real scrutiny of results

- ◆ Initial and admittedly exploratory step.
- ◆ Proposes to reinforce provably strong programs.
- ◆ Redirect funds in many cases from programs that demonstrably fail, or cannot offer evidence of success.

# Program ratings

126 programs across agencies

- ◆ 43 "effective"
- ◆ 22 "moderately effective"
- ◆ 41 "ineffective"
- ◆ 20 "unknown"

# Comparisons

Average cost to establish
an acre of wetland

| Corps | Interior | Agriculture |
|-------|----------|-------------|
| $3,900 | $2,250 | $1,200 |

# Stated differently

Average number of acres of wetlands established per $1 million

| Corps | Interior | Agriculture |
|-------|----------|-------------|
| 256 acres | 444 acres | 833 acres |

# How was performance used?

- Funding effective programs,
- Shifting resources,
- Setting program targets,
- Adding incentives, and
- Improving efficiency.

# Three significant changes

- ◆ Planning and evaluation - both oriented toward outcomes - must be thoroughly integrated into the budget process.

- ◆ Alignment of budget accounts to relate resources used to results produced.

- ◆ Accounts and activities should be charged consistently for the full annual cost of the resources used.

# Budget transparency

- Budget accounts should show the total budgetary resources used to achieve results.

- Currently, this is not systematically the case.

- Need to more consistently and completely show budget costs "*where*" and "*when*" resources used.

# Budgeting for results proposal

- Would apply "best practice" and assign employee costs (including those for retirement) as charges to the programs themselves.

- Costs and results can then be compared to each other and across government.

# Governing for accountability

- Bringing accountability to government goes beyond performance-based budgeting,

- President has ordered his appointees to take responsibility for improving day-to-day management of government.

# President's Management Agenda

- ◆ Agenda tackles long-neglected management problems, and offers specific solutions to fix them.

- ◆ Coordinated, coherent agenda.

- ◆ Strategy to achieve "*breakthrough*" - not marginal - improvements in program performance.

# Five government-wide initiatives

1. Strategic Management of Human Capital
2. Competitive Sourcing
3. Improved Financial Performance
4. Expanded E-Government
5. Budget and Performance Integration

# Strategic Mgmt of Human Capital

- Fifty percent of the federal workforce project to retire over the next 10 years.
- Agencies must reshape their human capital strategies and organizations to attract and retain the right people, in the right places, at the right time, and
- Make high performance a way of life.

# Competitive Sourcing

- Half of all federal employees perform tasks that are readily available in the private sector.

- Rarely, if ever, been subject to the pressures of the marketplace.

- Public-private competition creates significant improvements in performance and cost savings exceeding 20 percent.

# Improved Financial Performance

- Managers need accurate and timely information for sound decision making - but have neither.

- On average it takes agencies almost 5 months of heroic efforts to close their books.

- Even then, the overall government has been unable to pass its audit.

# Expanded E-Government

◆ This effort will make the government a "click and mortar" enterprise - more accessible, effective, and efficient.

◆ 24 e-gov initiatives directed at improving services to citizens, businesses, and other governments.

◆ Consolidated point of service: www.Firstgov.gov

# Budget and Performance Integration

- Start the process of linking resource decisions with results.

- Help set budget priorities.

- Compare like activities.

- Make costs and results more transparent.

# Keeping Score

- *"But good beginnings are not the measure of success.  What matters in the end is completion. Performance.  Results. Not just making promises, but making good on promises."*

- FY 2003 Budget includes the first agency report cards assessing the starting point of each department in these problem areas.

# Executive Branch Management Scorecard*

## Current Status Against the Standards for Success

## Progress on President's Management Agenda

| | Human Capital | Competitive Sourcing | Financial Mgmt. | E-Gov | Budget/Perf. Integration | | Human Capital | Competitive Sourcing | Financial Mgmt. | E-Gov | Budget/Perf. Integration | Agency Specific |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| USDA | Yellow | Red | Yellow | Yellow | Yellow | | Green | Yellow | Yellow | Green | Yellow | Yellow |
| DOC | Yellow | Yellow | Red | Red | Yellow | | Yellow | Green | Green | Green | Red | Green |
| DOD | Yellow | Yellow | Red | Yellow | Red | | Yellow | Green | Yellow | Yellow | Yellow | Green |
| EDUC | Red | Red | Red | Red | Yellow | | Yellow | Green | Red | Yellow | Yellow | Yellow |
| DOE | Green | Yellow | Yellow | Red | Green | | Green | Green | Green | Green | Green | Green |
| EPA | Green | Red | Yellow | Yellow | Red | | Green | Yellow | Yellow | Yellow | Green | Yellow |
| HHS | Green | Green | Red | Green | Yellow | | Green | Yellow | Yellow | Yellow | Green | Yellow |
| HUD | Yellow | Red | Red | Yellow | Yellow | | Yellow | Green | Green | Green | Red | Green |
| DOI | Red | Yellow | Red | Red | Red | | Yellow | Green | Green | Green | Yellow | Green |
| DOJ | Red | Yellow | Red | Red | Red | | Yellow | Red | Red | Yellow | Yellow | Yellow |
| DOL | Yellow | Red | Yellow | Red | Yellow | | Yellow | Green | Green | Yellow | Yellow | Red |
| SSA | Yellow | Yellow | Yellow | Green | Yellow | | Yellow | Yellow | Yellow | Green | Yellow | Yellow |
| STATE | Green | Red | Red | Yellow | Red | | Yellow | Red | Red | Green | Red | Yellow |
| DOT | Yellow | Yellow | Green | Yellow | Yellow | | Red | Yellow | Green | Green | Yellow | Yellow |
| TREAS | Red | Red | Red | Yellow | Green | | Green | Green | Yellow | Green | Yellow | Yellow |
| VA | Yellow | Yellow | Red | Yellow | Yellow | | Green | Yellow | Green | Green | Red | Yellow |

**SAMPLE**

# * SCORES ARE ILLUSTRATIVE ONLY

**October 29, 2001**

# Executive Branch Management Scorecard

## 2001 Baseline Evaluation

| | Human Capital | Competitive Sourcing | Financial Mgmt. | E-Gov | Budget/Perf. Integration |
|---|---|---|---|---|---|
| AGRICULTURE | Red | Red | Red | Yellow | Red |
| COMMERCE | Red | Red | Red | Yellow | Red |
| DEFENSE | Red | Red | Red | Red | Red |
| EDUCATION | Red | Red | Red | Red | Red |
| ENERGY | Red | Red | Red | Red | Red |
| EPA | Red | Red | Red | Yellow | Yellow |
| HHS | Red | Red | Red | Red | Red |
| HUD | Red | Red | Red | Red | Red |
| INTERIOR | Red | Red | Red | Red | Red |
| JUSTICE | Red | Red | Red | Red | Red |
| LABOR | Yellow | Red | Red | Yellow | Red |
| STATE | Red | Red | Red | Red | Red |
| TRANSPORTATION | Red | Red | Red | Red | Yellow |
| TREASURY | Red | Red | Red | Red | Red |
| VA | Red | Red | Red | Red | Red |

# Executive Branch Management Scorecard

## 2001 Baseline Evaluation

| | Human Capital | Competitive Sourcing | Financial Mgmt. | E-Gov | Budget/Perf. Integration |
|---|---|---|---|---|---|
| **AID** | 🔴 | 🔴 | 🔴 | 🔴 | 🔴 |
| **CORPS OF ENGINEERS** | 🔴 | 🔴 | 🔴 | 🔴 | 🔴 |
| **FEMA** | 🔴 | 🔴 | 🔴 | 🔴 | 🔴 |
| **GSA** | 🔴 | 🔴 | 🟡 | 🔴 | 🔴 |
| **NASA** | 🔴 | 🔴 | 🟡 | 🔴 | 🔴 |
| **NSF** | 🔴 | 🔴 | 🟢 | 🟡 | 🔴 |
| **OMB** | 🔴 | 🔴 | 🔴 | 🔴 | 🔴 |
| **OPM** | 🟡 | 🔴 | 🔴 | 🟡 | 🔴 |
| **SBA** | 🔴 | 🔴 | 🟡 | 🟡 | 🟡 |
| **SMITHSONIAN** | 🔴 | 🔴 | 🔴 | 🟡 | 🔴 |
| **SSA** | 🟡 | 🔴 | 🟡 | 🟡 | 🔴 |

# Standards For Success – Human Capital

| 🟢 | 🟡 | 🔴 |
|---|---|---|
| **Must Meet All Core Criteria:** <br><br> • **Agency human capital strategy is aligned with mission, goals, and organizational objectives: 1) integrated into Budget and Strategic Plans; 2) consistent with OPM's human capital scorecard (issued by December 1, 2001); and 3) complies with standards for internal accountability systems to ensure effective merit-based HRM.** <br><br> • **Agency has a citizen-centered organizational structure that is delayered and oriented toward performing the mission assigned to it.** <br><br> • **Agency 1) sustains high-performing workforce that is continually improving in productivity; 2) strategically uses existing personnel flexibilities, tools, and technology; and 3) implements effective succession plans.** <br><br> • **No skill gaps/deficiencies exist in mission critical occupations.** <br><br> • **Agency differentiates between high and low performers through appropriate incentive and rewards.** <br><br> • **Changes in agency workforce skill mix and organizational structure reflect increased emphasis on e-government and competitive sourcing.** | **Achievement of Some but not All Core Criteria; No Red Conditions.** | **Has Any One of the Following Conditions:** <br><br> • **Agency human capital strategy is not aligned to support the mission, goals, and organizational objectives and is not integrated into Budget and Strategic Plans.** <br> • **Agency organizational structure is not citizen-centered and not delayered.** <br><br> • **Agency does not 1) strategically use existing personnel flexibilities, tools, and technology; and 2) implement succession plans.** <br><br> • **Agency is not addressing Skill gaps/deficiencies in mission critical occupations.** <br><br> • **Agency fails to reward high performers and fails to address low performance.** <br><br> • **Agency outsources without training and deploying adequate contract management staff, and/or without appropriate planning to accommodate displaced employees.** |

# Standards For Success – Competitive Sourcing

| 🟢 | 🟡 | 🔴 |
|---|---|---|
| **Must Meet All Core Criteria:**<br><br>• **Completed public-private or direct conversion competition on not less than 50 percent of the full-time equivalent employees listed on the approved FAIR Act inventories.**<br><br>• **Competitions and direct conversions conducted pursuant to approved competition plan.**<br><br>• **Commercial reimbursable support service arrangements between agencies are competed with the private sector on a recurring basis.** | **Achievement of Some but not All Core Criteria; No Red Conditions.** | **Has Any One of the Following Conditions:**<br><br>• **Completed public-private or direct conversion competition on less than 15 percent of the full-time equivalent employees listed on the approved FAIR Act inventories.**<br><br>• **Competitions and direct conversions are not conducted in accordance with approved competition plan.**<br><br>• **No commercial reimbursable support service arrangements between agencies are competed with the private sector.** |

# Standards For Success – Financial Management

| 🟢 | 🟡 | 🔴 |
|---|---|---|
| **Must Meet All Core Criteria:**<br><br>• **Financial management systems meet Federal financial management system requirements and applicable Federal accounting and transaction standards as reported by the agency head.**<br><br>• **Accurate and timely financial information.**<br><br>• **Integrated financial and performance management systems supporting day-to-day operations.**<br><br>• **Unqualified and timely audit opinion on the annual financial statements; no material internal control weaknesses reported by the auditors.** | **Achievement of Some but not All Core Criteria; No Red Conditions.** | **Has Any One of the Following Conditions:**<br><br>• **Financial management systems fail to meet Federal financial management systems requirements and applicable Federal accounting standards as reported by the agency head.**<br><br>• **Chronic or significant Anti-deficiency Act violations.**<br><br>• **Agency head unable to provide unqualified assurance statement as to systems of management, accounting, and administrative controls.**<br><br>• **Auditors cite material non-compliance with laws and regulations, or repeat material internal control weaknesses; or are unable to express an opinion on the annual financial statements.** |

# Standards For Success – Expanding E-Government

| 🟢 (green) | 🟡 (yellow) | 🔴 (red) |
|---|---|---|
| **Must Meet All Core Criteria:**<br><br>• **Strategic Value: all major systems investments have a business case submitted that meets the requirements of OMB Circular A-11 (Exhibit 53, Form 300).**<br><br>• **IT Program Performance: On average, all major IT projects operating within 90% of Form 300 cost, schedule, and performance targets.**<br><br>**E-government and GPEA implementation: (must show department-wide progress or participation in multi-agency initiative in 3 areas)**<br><br>• **Citizen one-stop service delivery integrated through Firstgov.gov, cross-agency call centers, and offices or service centers.**<br><br>• **Minimize burden on business by re-using data previously collected or using ebXML or other open standards to receive transmissions.**<br><br>• **Intergovernmental: Deploying E-grants or Geospatial Information one-stop.**<br><br>• **Obtaining productivity improvements by implementing customer relationship management, supply chain management, enterprise resource management, or knowledge management best practices.** | **Achievement of Some but not All Core Criteria; No Red Conditions.** | **Has Any One of the Following Conditions:**<br><br>• **Less than 50% of major IT investments have a business case per OMB Circular A-11 (Exhibit 53, Form 300).**<br><br>• **On average, all major IT projects operating at less than 70% of Form 300 cost, schedule and performance targets.**<br><br>**Fulfills not more than one of the following:**<br><br>• **Citizen one-stop service delivery integrated through Firstgov.gov, cross-agency call centers, and offices or service centers.**<br><br>• **Minimize burden on business by re-using data previously collected or using ebXML or other open standards to receive transmissions.**<br><br>• **Intergovernmental: Deploying E-grants or Geospatial Information one-stop.**<br><br>• **Obtaining productivity improvements by implementing customer relationship management, supply chain management, enterprise resource management, or knowledge management best practices.** |

# Standards For Success – Integrating Budget and Performance

| 🟢 | 🟡 | 🔴 |
|---|---|---|
| **Must meet all core criteria:**<br><br>• **Integrated planning/evaluation and budget staff work with program managers to create an <u>integrated</u> plan/budget and to monitor and evaluate its implementation.**<br><br>• **Streamlined, clear, integrated agency plan/budget sets forth outcome goals, output targets, and resources requested in context of past results.**<br><br>• **Budget accounts, staff, and specifically program/activities are aligned to support achieving program targets.**<br><br>• **Full budgetary cost is charged to mission accounts and activities. Cost of outputs and programs is integrated with performance in budget requests and execution.**<br><br>• **Agency has documented program effectiveness. Analyses show how program outputs and policies affect desired outcomes. Agency systematically applies performance to budget and can demonstrate how program results inform budget decisions.** | **Achievement of Some but not All Core Criteria; No Red Conditions.** | **Has Any One of the Following Criteria:**<br><br>• **Planning and budgeting separate with little collaboration. Levels of organization have little and formal communication. Focus on getting funds for independent use.**<br><br>• **Traditional budget request with little attempt to tie resources to results or communicate with other than budget technicians.**<br><br>• **Excessive numbers of accounts, historical anomalies, accounts that fund illogical parts of programs. Centralized accounts that fund program resources; accounts that fund multiple programs with little in common.**<br><br>• **No attention to charging cost to the right bureau, let alone the activity. Substantial costs "mixed up" at the agency or bureau level. Program managers lack authority over resources.**<br><br>• **Focus on getting money for a good cause. Justification by anecdote. Little focus on outcomes, or how program influences them.** |

# A spirited discussion

- ◆ The Administration has invited a spirited discussion, and

- ◆ Welcomes additional data and suggestions about how to measure performance better.

# On the web

Budget

http://www.whitehouse.gov/omb/budget/fy2003/

budget.html

Scorecard

http://www.whitehouse.gov/omb/memoranda/

m02-02scorecard.pdf

Standards

http://www.whitehouse.gov/omb/budget/fy2003/pdf/

spec.pdf